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INTERIM RESULTS
Clydesdale and Yorkshire Banks

CUSTOMER SUPPORT KEY TO CREDITABLE PERFORMANCE

London, 5 May 2011: *National Australia Bank Group, owner of Clydesdale and Yorkshire Banks, today released interim results for its UK Banking[(1)] operations for the 6 months to 31 March 2011. Unless otherwise stated, figures are comparisons with the 6 months to 31 March 2010. Highlights are:*

Financial Performance

- Pre-tax cash earnings[(2)] up **25%** to **£101 million**
- Cash earnings up **26%** to **£77 million**
- Retail deposits & longer term wholesale funding cover **94%** of lending; Retail Cover Ratio **70%**
- Strong liquidity with liquid assets of **£9.8 billion**

Customer Support

- **£3.3 billion** of new business and mortgage lending in the past 6 months
- **£8 billion** of new lending advanced in the past 18 months - on track to deliver **£10 billion** two year pledge by October 2011
- Average gross loans and acceptances of **£32.6 billion**
- Average retail deposit volumes up **£900 million** to **£23.4 billion**

Business Performance

- Interest earning assets up **£500 million** to **£41.4 billion**
- Charge to provide for bad and doubtful debts down **17%** (£32 million)

Lynne Peacock, Chief Executive, said:
"The effectiveness of our support for customers and the sensible, consistent strategic direction we have maintained is clearly demonstrated in these creditable results. Pre-tax cash earnings are up 25% in the past six months continuing the substantial recovery in profitability achieved last year.

"Maintaining our sound capital position and balancing profit with increased security, a key focus has been to support our customers and this has been central to our success in these uncertain economic times. Despite subdued market demand for credit, we continue to offer genuine customer choice in the market. This is attracting growing numbers of small and mid-corporate trading businesses and helping us to further expand our mortgage book. It also helped us advance £3.3 billion of new lending in the half on top of £4.7 billion last year. We are well on track to deliver our two-year new lending commitment of £10 billion by October.

"As I prepare to pass the baton to David Thorburn and a very strong UK management team, I am proud to reflect on what we have achieved in transforming this business over the past seven years. While national economic recovery will continue to provide challenges, we have kept Clydesdale and Yorkshire Banks safe, strong and very well placed to capitalise on future growth opportunities."

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Financial Performance
Following the substantial recovery in profitability last year, Clydesdale and Yorkshire Banks achieved pre-tax cash earnings growth of 25% to £101 million (from £81m) in the half.

This continued and significant improvement in profitability was secured whilst continuing to demonstrate strong support for customers during this period of economic uncertainty and by carefully balancing risk and return.

Average retail customer deposits grew by £900 million (4%) to £23.4 billion compared with the prior corresponding period favourably ahead of UK industry average movements(3). Deposits across iFS grew 2.5% and retail delivered 5.8% growth. Despite intense market competition, average deposit levels are 1.3% down from the historic high achieved in the prior half.

Deposit attraction and retention combined with strong wholesale funding has provided the business with a robust platform for future growth and enabled it to hold liquid assets totalling £9.8 billion at March 2011. This conservative level of liquidity has been maintained (£10.1bn at September 2010) at more than double the level held three years ago (£4.5bn in March 2008). The Banks' funding position of retail deposits and longer term wholesale funding covers 94% of lending. The Retail Cover Ratio remained high at 70%.

While the business continues to maintain a conservative risk position, capital ratios were further strengthened in the half with £200 million of preference shares issued in December 2010. At March 2011, the Tier 1 capital ratio was 9.8% (up from 9.0% at September 2010).

Supporting Customers
Providing real choice in the market, the Banks continue to attract growing numbers of small and mid-corporate trading businesses as well as expanding its mortgage book. Despite subdued market demand for credit, new lending of £3.3 billion was advanced in the half including £2.1 billion of business lending and £1.1 billion of mortgage advances.

With a total of £8 billion of new lending advanced in the past 18 months, the business is firmly on track to deliver against its two-year pledge to make £10 billion of new lending available to support business and personal customers by October 2011.

While average business lending and mortgage growth outperformed the market, average gross loans and acceptances were broadly flat at £32.6 billion (down 1%), reflecting subdued market demand for credit and the managed rebalancing of the lending book. As a result, commercial property lending was reduced by 11% and exposure to credit card and personal lending fell by 14%. Mortgage lending grew by 4% and lending to trading businesses was up 2% in the period.

Building on an already strong customer base, the expansion of Retail's small business support during the period will broaden the products and services on offer to this important segment of the market. Improvements to the direct banking service will improve efficiency in direct sales for retail customers. The iFS business banking strategy is continuing to evolve with investment in the payments capability and prudent enhancement of the mid-corporate offering, providing dedicated support and choice for customers.

Investments in the business continued with a £5 million increase in cash spend to £49 million in the half. The delivery of an enhanced customer offering continued to be a key focus of this investment. Building on the success of the Bank's current Business Internet Banking platform, BusinessOnline was launched in February 2011 to extend the functionality and payment options for business customers. A programme to deliver improved online and telephone sales channels was also mobilised in the half and will be in place by October 2011.

Performance Measures
Working closely with customers during this period of economic uncertainty, asset quality measures continue to be carefully monitored. The charge to provide for bad and doubtful debts decreased by £32 million (17.5%) compared with the prior corresponding half. This reflects the stage of the economic recovery post recession and remains an area under close management scrutiny.

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As a result of growth in balance sheet provisions and a stable portfolio, the total provision to gross loans and acceptances ratio has improved to 1.52% (from 1.46% at September 2010). Mortgage balances 90 days past due as a percentage of total mortgages have been held at the September 2010 level of 0.76%.

While costs have been kept below inflation, responding to customer support demands has contributed to increased personnel costs in the half. As a result, operating expenses increased by £10 million (2.8%) to £363 million over the prior corresponding period. The cost to income ratio increased to 59.0% compared with the prior corresponding period (from 57.2% at March 2010) and improved marginally on the prior half (59.2% at September 2010).

Interest earning asset volumes increased by £500 million to £41.4 billion. The net interest margin declined by 7 basis points to 2.33% compared with the prior corresponding period. This was driven by lower earnings on capital, lower deposit margins and margin dilution from the increase in low yielding liquid assets as the balance sheet was further strengthened.

Pursuing a sensible and consistent strategic direction, the business continues to maintain a sound capital position balancing profit with security. While well prepared for the challenges national economic recovery will continue to provide, Clydesdale and Yorkshire Banks remain very well placed to capitalise on future growth opportunities.

UK Banking	*Half Year to*				
	Mar 11 £m	*Sep 10 £m*	*Mar 10 £m*	*Mar 11 v Sep 10 %*	*Mar 11 v Mar 10 %*
Net interest income	**481**	472	490	1.9	(1.8)
Other operating income	**134**	134	127	-	5.5
Net operating income	**615**	606	617	1.5	(0.3)
Operating expenses	**(363)**	(359)	(353)	(1.1)	(2.8)
Underlying profit	**252**	247	264	2.0	(4.5)
Charge to provide for bad and doubtful debts	**(151)**	(164)	(183)	7.9	17.5
Cash earnings before tax	**101**	83	81	21.7	24.7
Income tax expense	**(24)**	(26)	(20)	7.7	(20.0)
Cash earnings	**77**	57	61	35.1	26.2
Average Volumes (£bn)					
Gross loans and acceptances	**32.6**	32.7	33.0	(0.3)	(1.2)
Interest earning assets	**41.4**	41.3	40.9	0.2	1.2
Total assets	**44.8**	44.6	44.4	0.4	0.9
Retail deposits	**23.4**	23.7	22.5	(1.3)	4.0
Capital (£bn)					
Risk-weighted assets - credit risk (spot)	**29.7**	30.6	29.4	(2.9)	1.0
Total risk-weighted assets (spot)	**33.3**	33.8	32.1	(1.5)	3.7
Performance Measures					
Cash earnings on average assets	**0.34%**	0.25%	0.28%	9 bps	6 bps
Net interest margin	**2.33%**	2.28%	2.40%	5 bps	(7 bps)
Cost to income ratio	**59.0%**	59.2%	57.2%	20 bps	(180 bps)
JAWs [(4)]	**0.4%**	(3.5%)	(5.4%)		
Cash earnings per average FTE (£'000s)	**18**	13	14		
FTEs (spot) [(5)]	**8,684**	8,730	8,544		

About the National Australia Bank Group
An international financial services organisation providing a comprehensive and integrated range of financial products and services, NAB is one of the world's top financial services companies and serves almost 11 million banking customers. The NAB Group's results are available on www.nabgroup.com.au

[(1)] UK Banking consists of banking and wealth management activities in the UK operating under the Clydesdale Bank and Yorkshire Bank brands. It does not include NAB's wholesale banking operations in the UK.
[(2)] Cash earnings exclude fair value and hedge ineffectiveness income/expense and significant items. A full definition is set out in the NAB Profit Announcement under Glossary of Terms. The results above are those of the NAB UK Banking division and are not those of Clydesdale Bank PLC.
[(3)] Source: Industry average deposit growth of 3.6%, Bank of England – February 2011.
[(4)] JAWS: The difference between the percentage growth in revenue on the proceeding half year and the percentage growth in the expenses on the proceeding half year.
[(5)] Prior period FTE numbers have been restated.

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